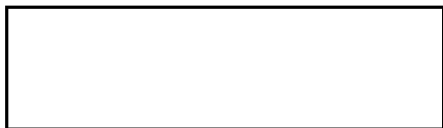


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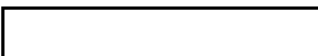



To the Board of Directors



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We have examined the balance sheet of  as of August 31, 1964 and the related statement of operating results and accumulated deficit for the year then ended. Our examination was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying balance sheet and statement of operating results and accumulated deficit present fairly the financial position of  at August 31, 1964, and the results of its operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

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STATINTL

Certified Public Accountants

December 7, 1964

Declass Review by NIMA / DoD

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Next 1 Page(s) In Document Exempt

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NOTES TO FINANCIAL STATEMENTS

Note 1 - Inventories at August 31, 1964 were classified as follows:

Raw Materials
Work in Process
Finished Goods

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Inventories are based upon a physical inventory taken by management at the end of the fiscal year and are valued at the lower of cost or market. Cost is computed on a first-in, first-out method for raw materials and at an average production cost for work in process and finished goods.

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Note 2 - Effective June 1, 1964 the Company entered into a licensing arrangement by which it acquired the rights to manufacture and sell certain microfilm equipment. This agreement calls for a minimum royalty to be paid within a two year period of [REDACTED] As of August 31, 1964 of the initial payment of \$ [REDACTED] is included as a prepaid item, the balance having been charged to selling expense.

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Note 3 - During the year net additions to fixed assets totalled [REDACTED] Depreciation and amortization of [REDACTED] calculated at estimated useful lives ranging from 3 to 10 years, was charged to operations for the year, principally in the cost of goods manufactured category.

Note 4 - Designs, patents and engineering valued at [REDACTED] in the balance sheet were acquired from [REDACTED] the founder and president, in 1956 in exchange for 5,000 shares of capital stock.

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The Company consistently follows the policy of charging to current operations all expenditures for research, development and engineering.

Note 5 - Notes payable to the bank included the following:

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<u>Due date</u>	<u>Interest rate</u>	<u>Collateral</u>
Demand	5 1/2%	Various marketable
9/24/64	5 1/2	securities hypothecated
10/28/64	5 1/2	by [REDACTED]
8/31/64	5 1/2	and by a \$100,000.00
11/12/64	5 1/2	life insurance policy
9/17/64	6	on the life of
9/21/64	6	[REDACTED]
9/15/64	5 1/2	Auto loan - chattel mortgage
10/30/64	5 1/2	Equipment loan - chattel mortgage
Demand	6	[REDACTED] of assigned
		accounts receivable

The hypothecated securities must remain on deposit with the bank until released by order of the board of directors.

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Note 6 - Stock options covering 884 shares of capital stock at a price of \$25.00 per share remain unexercised at August 31, 1964. The options, issued to two individuals who served in promotional capacities, will expire in June 1968.

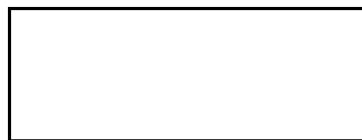
A stock option plan approved by the stockholders in June 1961, by which 1,000 shares of authorized but unissued capital stock may be issued, also remains unexercised at August 31, 1964.

Note 7 - The Company has available at August 31, 1964 a net operating loss carryforward of [] subject to review by the Internal Revenue Service. The availability of [] of this loss will expire during the year ending August 31, 1965. The total investment credit carryforward arising from qualified fixed asset additions available for future federal tax reductions is now []

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FINANCIAL STATEMENTS - AUGUST 31, 1964

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